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HOOD MEMORIAL HOSPITAL
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2000 AND 1999

COMMISSIONERS

W. D. Kent, D.V.M., Chairman
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HOSPITAL ADMINISTRATOR

A.D. Richardson

ASSISTANT ADMINISTRATOR

Claude Jones, Jr.

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 05/09/01

TABLE OF CONTENTS

HOOD MEMORIAL HOSPITAL

SEPTEMBER 30, 2000

	Page
Report of Independent Auditors	3
Balance Sheets	4
Statements of Revenue, Expenses, and Fund Balances	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10
Patient Service Revenues	11
Departmental Operating Expenses	12
Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	13-14

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REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Hood Memorial Hospital
Hospital Service District No. 2 of
Tangipahoa Parish, Louisiana

We have audited the accompanying balance sheets of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish a component unit of Tangipahoa Parish, Louisiana) as of September 30, 2000 and 1999, and the related statements of revenue, expenses, and fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

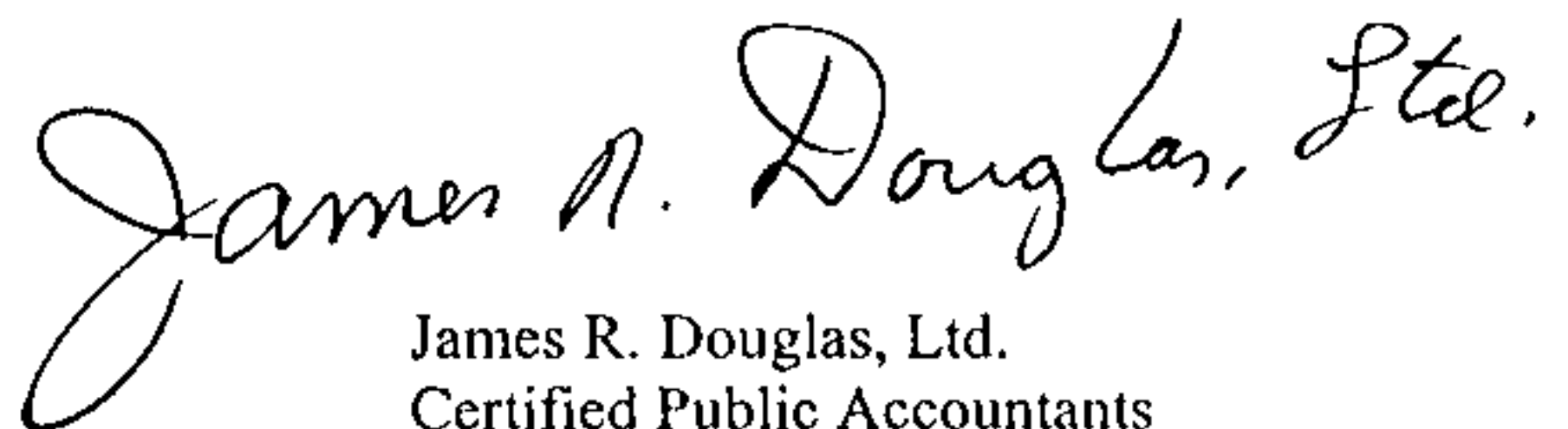
We conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in *Government Auditing Standards* - (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Memorial Hospital at September 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2001, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 30, 2001


James R. Douglas, Ltd.
Certified Public Accountants

BALANCE SHEETS

Page 4

HOOD MEMORIAL HOSPITAL

		SEPTEMBER 30	
		2000	1999
ASSETS			
CURRENT ASSETS			
Cash		\$ 755,692	\$ 1,027,717
Patient accounts receivable, less allowances for uncollectible accounts (2000 and 1999 - \$230,000)		2,063,401	1,730,959
Amounts due from medicare and medicaid intermediaries		564,225	635,254
Inventories		156,797	160,923
Prepaid expenses and other debits		55,254	25,029
	TOTAL CURRENT ASSETS	<u>3,595,369</u>	<u>3,579,882</u>
ASSETS WHOSE USE IS LIMITED			
Board designated funds:			
Investments		2,418,062	1,954,495
Accrued interest receivable		6,193	6,115
		<u>2,424,255</u>	<u>1,960,610</u>
PROPERTY AND EQUIPMENT, net		<u>2,440,473</u>	<u>2,535,535</u>
OTHER ASSETS		<u>-</u>	<u>1,307</u>
	TOTALS	<u>8,460,097</u>	<u>8,077,334</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Trade accounts payable		520,189	230,168
Employee compensation payable		85,581	64,449
Reserve for estimated claims		115,000	250,000
Amounts due to medicare and medicaid intermediaries		86,723	168,292
	TOTAL CURRENT LIABILITIES	<u>807,493</u>	<u>712,909</u>
FUND BALANCES		<u>7,652,604</u>	<u>7,364,425</u>
	TOTALS	<u>8,460,097</u>	<u>8,077,334</u>

See notes to financial statements

STATEMENTS OF REVENUE, EXPENSES, AND FUND BALANCES

Page 5

HOOD MEMORIAL HOSPITAL

		YEAR ENDED SEPTEMBER 30	
		2000	1999
REVENUE			
Net patient service revenue		\$ 7,545,589	\$ 7,663,528
Other revenue		76,180	92,204
	TOTAL REVENUE	<u>7,621,769</u>	<u>7,755,732</u>
EXPENSES			
Nursing services		1,958,524	1,910,383
Other professional services		3,149,517	3,183,810
General services		522,957	503,544
Fiscal and administrative services		1,050,223	1,079,655
Bad debts		604,898	503,320
Depreciation and amortization		220,701	238,391
	TOTAL EXPENSES	<u>7,506,820</u>	<u>7,419,103</u>
	INCOME FROM OPERATIONS	<u>114,949</u>	<u>336,629</u>
NONOPERATING GAINS			
Interest earned		<u>173,230</u>	<u>129,001</u>
REVENUE AND GAINS IN EXCESS OF EXPENSES		288,179	465,630
FUND BALANCE, Beginning of year		<u>7,364,425</u>	<u>6,898,795</u>
FUND BALANCE, End of year		<u>7,652,604</u>	<u>7,364,425</u>

See notes to financial statements

STATEMENTS OF CASH FLOWS

Page 6

HOOD MEMORIAL HOSPITAL

	YEAR ENDED SEPTEMBER 30	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 114,949	\$ 336,629
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	220,701	238,391
Changes in -		
Accounts receivable	(261,413)	(29,722)
Other assets	(26,177)	(9,558)
Accounts payable	208,452	(33,216)
Reserves	(135,000)	100,000
Accrued expenses	21,132	6,426
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>142,644</u>	<u>608,950</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of property and equipment	<u>(124,332)</u>	<u>(368,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	173,230	129,001
Matured certificates of deposits	1,036,037	400,000
Purchase of investments	<u>(1,499,604)</u>	<u>(400,000)</u>
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	<u>(290,337)</u>	<u>129,001</u>
NET INCREASE (DECREASE) IN CASH	<u>(272,025)</u>	<u>369,572</u>
Cash at beginning of year	<u>1,027,717</u>	<u>658,145</u>
CASH AT END OF YEAR	<u><u>755,692</u></u>	<u><u>1,027,717</u></u>

See notes to financial statements

HOOD MEMORIAL HOSPITAL

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hood Memorial Hospital (the Hospital) is a nonprofit organization created by the Tangipahoa Parish Police Jury (as Hospital Service District No. 2 of Tangipahoa Parish, Louisiana), on November 17, 1964 (re-created on October 19, 1965) under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from Federal and state income taxes. The governing authority of the District is the Tangipahoa Parish Police Jury and accordingly, appoints members to the Hospital Board. The Board exercises all administrative functions with respect to the operation and management of the Hospital. The Hospital reports in accordance with the American Institute of Certified Public Accountants' (AICPA) "Audits of Providers of Health Care Services" and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board. In preparing the financial statements, the Hospital is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized below.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory: Inventory is valued at the most recent invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Assets whose use is limited: Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements (over which the Board retains control and may at its discretion subsequently use for other purposes).

Investments: Investments in U.S. Government securities with readily determinable fair value are measured at fair value in the balance sheet. Bank certificates of deposit with original maturities of more than three months when purchased are stated at cost, plus accrued interest.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method as follows:

Buildings and land improvements	10-40 years
Fixed equipment	20 years
Major movable equipment	5-20 years

Net patient service revenues: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenues are reported at the estimated net amounts realizable from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Government health care program receivables include settlements for fiscal years subsequent to the fiscal year ended September 30, 1995 which are subject to audit and retroactive adjustment by the intermediary and the Department of Health and Human Services. Payment arrangements with major third-party payors are summarized below:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge which vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

HOOD MEMORIAL HOSPITAL

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Medicaid - Reimbursement for inpatient services rendered to Medicaid program beneficiaries is based on a per diem methodology which is not subject to settlement. Reimbursement for outpatient services is based on actual cost or fee schedule rates, depending upon the types of services performed, with final settlement determined after submission of annual cost reports and audits by the Medicaid fiscal intermediary.

Commercial Insurance - The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The Hospital derives a significant amount (approximately 64% for the year ended September 30, 2000 and 66% for the year ended September 30, 1999) of its net patient service revenues from patients covered by the Medicare and Medicaid programs.

Free care: The Hospital did not provide free care during the years ended September 30, 2000 and 1999.

Self-insured medical claims: The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management accrues its best estimate of probable claim amounts incurred but not reported based on its previous loss experience.

2. CASH AND INVESTMENTS

The nature of the Hospital's cash investments at September 30, 2000 and 1999 are:

	2000	1999
Cash	\$ 755,692	\$ 1,027,717
Certificates of deposit (with maturities of more than three months when purchased)	1,818,458	1,954,495
U. S. Government securities	599,604	-
Accrued interest receivable	6,193	6,115
	<u>3,179,947</u>	<u>2,988,327</u>

These balances are presented in the balance sheets and summarized below:

	1998	1997
Current assets:		
Cash	\$ 755,692	\$ 1,027,717
Assets whose use is limited:		
Investments	2,418,062	1,954,495
Accrued interest receivable	6,193	6,115
	<u>3,179,947</u>	<u>2,988,327</u>

HOOD MEMORIAL HOSPITAL

2. CASH AND INVESTMENTS – CONTINUED

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U. S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). Statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

As of September 30, 2000, the balances reported by banks for cash and certificates of deposit totaled \$2,669,810. Of the \$2,669,810, \$300,000 was covered by federal depository insurance and \$2,369,810 was collateralized with securities held by the pledging bank in the Hospital's name (Category 3).

The Hospital's deposits are categorized to give an indication of the level of risk assumed by the Hospital. The categories are described as follows:

- | | |
|-------------|---|
| Category 1: | Insured or collateralized with securities held by the entity or by its agent in the entity's name. |
| Category 2: | Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. |
| Category 3: | Collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name. |

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of Governmental Accounting Standards Board Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. GROUP ANNUITY CONTRACT

Under the terms of a group annuity contract entered into between American United Life Insurance Company and the Louisiana Hospital Association, eligible employees of the Hospital may enter into an agreement with the Company to contribute 3% of their gross salary to a group annuity contract. The Hospital is then obligated to contribute 5% to the contract (excluding overtime salary). Once the contributions are made, the Hospital has no further liability.

HOOD MEMORIAL HOSPITAL

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2000 and 1999 follows:

	2000	1999
Land	\$ 87,893	\$ 87,893
Land improvements – hospital	117,473	117,473
Land improvements – physicians building	22,643	22,643
Hospital building	2,541,382	2,541,382
Building improvements – hospital	33,086	78,084
Physicians building	596,416	596,416
Fixed equipment – hospital	172,896	172,896
Major movable equipment – hospital	2,169,334	2,000,004
Physicians building – major movable equipment	8,672	8,672
	<u>5,749,795</u>	<u>5,625,463</u>
Accumulated depreciation	<u>3,309,322</u>	<u>3,089,928</u>
	<u>2,440,473</u>	<u>2,535,535</u>

5. MALPRACTICE INSURANCE

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the first \$100,000 of each claim.

6. GOVERNMENTAL REGULATIONS

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

PATIENT SERVICE REVENUES

HOOD MEMORIAL HOSPITAL

YEAR ENDED SEPTEMBER 30, 2000

	INPATIENT	OUTPATIENT	SKILLED NURSING FACILITY	BEHAVIORIAL HEALTH UNIT	TOTAL
ROUTINE SERVICES					
Medical and surgical	\$ 623,300				\$ 623,300
Skilled nursing facility			\$ 131,365		131,365
Behavioral health unit				\$ 1,405,600	1,405,600
	<u>623,300</u>		<u>131,365</u>	<u>1,405,600</u>	<u>2,160,265</u>
ANCILLARY SERVICES					
Blood bank	13,634	\$ 3,705	384		17,723
Behavioral health	6,870	5,020			11,890
CT scan	110,545	454,087	3,320	17,375	585,327
Central supply	291,314	179,826	32,072	40,045	543,257
Electrocardiology	120,525	112,868	1,975	5,920	241,288
Electroencephalography	250	2,750	1,594	1,250	5,844
Emergency room	103,724	1,247,481			1,351,205
Home health agency		718,551			718,551
Intravenous therapy	48,606	15,519	8,725	142	72,992
Laboratory	528,773	1,310,022	39,509	72,863	1,951,167
Nuclear medicine	10,575	94,328		365	105,268
Operating and recovery	3,460	36,338	500		40,298
Pharmacy	544,955	280,921	118,324	131,537	1,075,737
Physical therapy	3,416		15,984		19,400
Radiology	109,503	526,901	7,003	7,249	650,656
Radiology-professional fee	75,096	333,926	3,505	5,499	418,026
Respiratory therapy	335,330	93,730	72,766	9,836	511,662
Rural health		473,912			473,912
Senior class					
Speech therapy	405		1,300	1,430	3,135
Ultrasound	49,133	130,504	1,190	1,384	182,211
Treatments	215	9,510		534,877	544,602
	<u>2,356,329</u>	<u>6,029,899</u>	<u>308,151</u>	<u>829,772</u>	<u>9,524,151</u>
	<u>2,979,629</u>	<u>6,029,899</u>	<u>439,516</u>	<u>2,235,372</u>	<u>11,684,416</u>
Less allowances					<u>4,138,827</u>
NET PATIENT SERVICE REVENUES					<u>7,545,589</u>

YEAR ENDED SEPTEMBER 30, 1999

INPATIENT	OUTPATIENT	SKILLED NURSING FACILITY	BEHAVIORIAL HEALTH UNIT	TOTAL
\$ 709,630		\$ 156,880	\$ 1,365,700	\$ 709,630 156,880 1,365,700
<u>709,630</u>		<u>156,880</u>	<u>1,365,700</u>	<u>2,232,210</u>
18,948	\$ 4,457	2,117		25,522
1,744	4,804	362		6,910
116,631	362,862	7,304	15,522	502,319
384,224	166,190	55,915	33,605	639,934
152,270	88,075	3,075	5,320	248,740
1,750	3,500	1,887	750	7,887
105,217	1,074,921			1,180,138
	916,556			916,556
69,789	13,910	14,001	451	98,151
685,111	1,117,576	54,320	63,422	1,920,429
17,061	78,466	2,913	995	99,435
6,500	32,695	(25)		39,170
765,465	348,993	177,855	117,791	1,410,104
4,544		11,203		15,747
156,437	550,409	12,274	6,316	725,436
498,562	110,881	66,282	17,246	692,971
	462,433			462,433
	26,230			26,230
1,815		2,595	4,400	8,810
69,266	116,589	3,842	2,667	192,364
25	3,740		548,601	552,366
<u>3,055,359</u>	<u>5,483,287</u>	<u>415,920</u>	<u>817,086</u>	<u>9,771,652</u>
<u>3,764,989</u>	<u>5,483,287</u>	<u>572,800</u>	<u>2,182,786</u>	12,003,862
				<u>4,340,334</u>
				<u>7,663,528</u>

DEPARTMENTAL OPERATING EXPENSES

HOOD MEMORIAL HOSPITAL

YEAR ENDED SEPTEMBER 30, 2000

	SALARIES	PROFESSIONAL FEES	OTHER EXPENSES	TOTAL
NURSING SERVICES				
Medical and surgical	\$ 667,114		\$ 47,918	\$ 715,032
Skilled nursing facility	260,782		4,897	265,679
Behavioral health unit	11,388		966,425	977,813
	<u>939,284</u>		<u>1,019,240</u>	<u>1,958,524</u>
OTHER PROFESSIONAL SERVICES				
Blood bank			13,538	13,538
CT scan	34,113		45,580	79,693
Central supply	41,127		94,439	135,566
Electrocardiology			47,296	47,296
Electroencephalography			2,409	2,409
Emergency room	380,118	\$ 448,361	30,225	858,704
Home health agency	426,658		150,517	577,175
Intravenous therapy			4,168	4,168
Laboratory	178,311	46,753	151,954	377,018
Nuclear medicine	6,261		18,373	24,634
Operating and recovery			10,094	10,094
Pharmacy	80,005		242,174	322,179
Physical therapy			13,632	13,632
Radiology	131,505		238,719	370,224
Respiratory therapy	66,254		30,552	96,806
Rural health	128,514		59,230	187,744
Speech therapy			2,790	2,790
Senior class				
Ultrasound	6,261		19,586	25,847
	<u>1,479,127</u>	<u>495,114</u>	<u>1,175,276</u>	<u>3,149,517</u>
GENERAL SERVICES				
Dietary	75,656		90,381	166,037
Housekeeping	77,844		17,757	95,601
Linen			37,652	37,652
Maintenance	78,390		37,198	115,588
Utilities			108,079	108,079
	<u>231,890</u>		<u>291,067</u>	<u>522,957</u>
FISCAL AND ADMINISTRATIVE SERVICES				
Administrative	274,754		204,052	478,806
Medical records	37,755		12,335	50,090
Employee benefits			423,158	423,158
Insurance			98,169	98,169
	<u>312,509</u>		<u>737,714</u>	<u>1,050,223</u>

YEAR ENDED SEPTEMBER 30, 1999			
SALARIES	PROFESSIONAL FEES	OTHER EXPENSES	TOTAL
\$ 636,916		\$ 48,807	\$ 685,723
266,197		7,420	273,617
16,747		934,296	951,043
919,860		990,523	1,910,383
		28,459	28,459
31,080		57,887	88,967
57,123		110,855	167,978
		50,052	50,052
		4,765	4,765
391,056	\$ 430,220	42,241	863,517
466,924		165,203	632,127
		5,609	5,609
171,815	42,199	150,347	364,361
6,202		17,746	23,948
		4,342	4,342
77,218		329,505	406,723
		6,142	6,142
118,355		47,438	165,793
62,906		46,629	109,535
126,039		82,224	208,263
		3,150	3,150
16,289		13,885	30,174
5,968		13,937	19,905
1,530,975	472,419	1,180,416	3,183,810
79,886		91,785	171,671
72,452		15,389	87,841
		43,338	43,338
62,887		42,122	105,009
		95,685	95,685
215,225		288,319	503,544
263,711		188,291	452,002
28,062		21,230	49,292
		454,362	454,362
		123,999	123,999
291,773		787,882	1,079,655

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Hood Memorial Hospital
Hospital Service District No. 2 of
Tangipahoa Parish, Louisiana

We have audited the financial statements of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish, a component unit of Tangipahoa Parish, Louisiana) as of and for the year ended September 30, 2000, and have issued our report thereon dated April 30, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of non-compliance that is required to be reported under *Government Auditing Standards*.

Requirement: The Hospital is required to submit audited financial statements to the Legislative Auditor within six months after its year-end closing date.

Finding: The audited financial statements were submitted approximately one month late.

Management's response: Because of the changes in cost reports methodology and because of P S & R rates being incorrectly computed, we were given an extension until August 31, 2001 in which to file our cost reimbursement report. The amounts generated by the cost report are material to our financial statement presentation.

The prior year report had a finding that cash was not adequately secured. This finding did not occur during the year under audit.

Internal Control Over Financial Reporting:

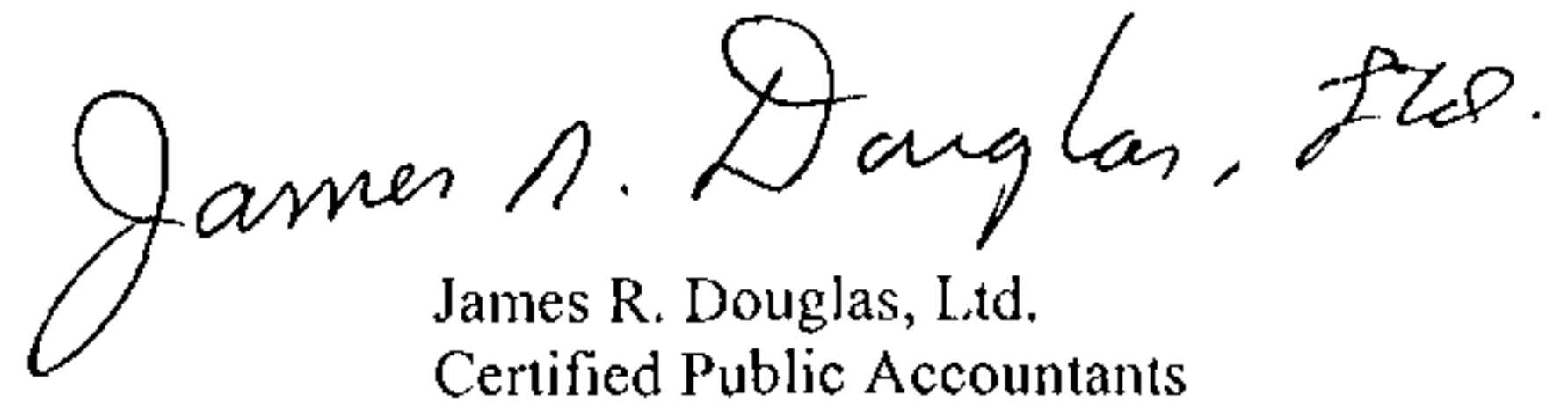
In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The Hospital is not large enough to permit an adequate segregation of employee duties for effective internal accounting control over the purchasing (invoice approval, processing, and general ledger) and financial reporting (journal entry preparation, approval, and recordation) cycles.

A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the Board of Commissioners, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

April 30, 2001


James R. Douglas, Ltd.
Certified Public Accountants